



Karlstad Business School

Handelshögskolan vid Karlstads universitet

Karwan Nisstany
Sasha Knezevic

Gaining customer insight

How companies can differentiate themselves using a
customer-dominant logic approach on business

A study on online retail experiences

Service Management
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Supervisor: Samuel Petros Sebhatu

Karlstad Business School
Karlstad University SE-651 88 Karlstad Sweden
Phone:+46 54 700 10 00 Fax: +46 54 700 14 97
E-mail: handels@kau.se www.hhk.kau.se

Abstract

Purpose

The purpose of this thesis is to develop a holistic understanding of customers' value perceptions and experiences within the online apparel industry. In doing so, the authors' hope to develop managerial guidelines for companies to utilize. This will be done with a customer-dominant logic approach.

Design/Methodology/Approach

As the study aims to understand behavior and perceptions, the authors have used an inductive, qualitative method to gain the deepest possible customer insight. By using a case study, the authors have been able to further understand the given context. Using focus group interviews resonated in the authors aim to understand *why* the participants reasoned as they did, as they would in a focus group session argue for their standpoint. The interview template was influenced by the theories on value formation within customer-dominant logic.

Findings

This study strengthens the relevance of CD logic empirically and provides a deeper understanding of customers' value perceptions and the reasons behind them. Functional elements of value were proven to be important, yet it was the values derived of emotional and life-changing elements that created true value. Based on the findings of this study, the authors have proposed a new term, *true value*, which refers to *a state-of-mind in which a person finds in psychological well-being through the experiences derived from a product or service*. Furthermore this study highlights social media's importance within the given context.

Originality/Value

Previous research on customer-dominant logic has mainly been on a theoretical level. This research contributes to service research by studying the phenomena through empirical research within the online apparel industry. Furthermore, this research develops managerial guidelines for companies applying customer-dominant logic within the given context.

Research Implications/Limitations

Awareness of the importance of social media within the online apparel industry can provide insight and assist businesses in shaping marketing strategies. This research was limited by time, demographical group and geographical location. Furthermore, the generalizability of the results is limited to the given context.

Keywords: Customer-dominant logic (CD Logic), value formation, elements of value, true value.

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Karwan Nisstany

Sasha Knezevic

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1. Introduction

In this chapter a brief background of theory will be presented explaining the evolution of customer-dominant logic. The problem discussion will be debated whereupon the aim of this study and the research questions will be presented. Lastly, the limitations of this study and expected contribution will be presented.

1.1 Background

Throughout the years theories within business and marketing have been emerging periodically to create managerial guidelines in order for companies to reach strategic advantage. As new theories emerge, there are naturally other researchers with differing opinions regarding the subject. The traditional view of delivering products and service was introduced as the goods-dominant logic (Lusch et al. 2007). The shift from goods-dominant logic to service logic took place when Grönroos (2008) made a clear distinction between value facilitators and value creators. The meaning of service logic is that the interactive processes support customer value creation. The company together with the customer is the co-producer and co-creator of the value (Grönroos 2006). Grönroos and Gummerus (2014) discuss key differences between service logic and service-dominant logic primarily regarding the basis of all business. Contrary to service-dominant logic, which sees service as the basis of all business, the basis of all business within service logic is value creation; where service is only seen as a facilitator towards value creation (Grönroos & Gummerus 2014). Another development from goods-dominant logic was introduced by Vargo and Lusch (2004), the service-dominant logic, an alternative view on the value creation process. Marketing focus shifted from seeing operand resources as the unit of exchange towards seeing marketing as *“a continuous series of social and economic processes that is largely focused on operand resources.”* (Vargo & Luch 2004, p.5). During the following years the theory of service-dominant logic was extended and updated by Vargo and Lusch (2008; 2016) as more research was carried out regarding the logic.

Whilst there are differences, the fundamental purpose of service logic and service-dominant logics remains the same, *“to acknowledge the importance of service and the interface between service providers and customers”* (Grönroos & Gummerus 2014, p.210). Inspired by the discussion around service logic and service-dominant logic, a new logic emerged, the customer-dominant logic (henceforth CD logic).

The CD logic proposed by Heinonen et al. (2010) had an alternate view about value creation compared to earlier research within the area that they deemed too “provider-dominant”. CD logic focuses on the customer-related aspects of business and how the firms’ offerings can be embedded in customers’ lives (Heinonen & Strandvik 2015). As Heinonen et al. (2010) developed the new business logic, their findings resulted in a more holistic understanding of customers’ lives and ecosystem, their practices and experiences “*in which service is naturally and inevitably embedded*” (p.533). Developing the thought, Heinonen and Strandvik (2013) stress the importance of understanding the life and the business patterns of the customer and the underlying factors of these everyday-decisions. Through that, CD logic tries to involve the service offering in the customer ecosystem rather than simply providing a service.

Since the 1990’s, the customer value concept has been discussed frequently and several definitions have been presented (Medberg & Heinonen 2014). In the 1990’s and early 2000’s, scholars defined value as the trade-off between the benefits received in contrast to the sacrifices made by the customer whilst different perspectives emerging in the late 2000’s had a view on value as a more multidimensional construct (Medberg & Heinonen 2014). Almquist et al. (2016a) draws on the latter, creating a model named “The Elements of Value”, inspired by the hierarchy of needs pyramid by psychologist Abraham Maslow, in order to conceptualize value itself. The model is based on thirty elements of value divided into four categories; functional, emotional, life changing and social impact. Through the model Almquist et al. (2016a) strive to categorize customer preferences in different value elements in order for business providers to understand the *how* and *why* behind customer intentions.

Grounded in CD logic the authors intend to explore customers’ value perceptions within this empirical study and through the “elements of value” categorize the value perceptions in order to create managerial guidelines for companies to use in their pursuit of gaining sustainable competitive advantage. In this thesis, the authors are looking at the online apparel industry to understand and analyze CD logic from the customer’s point of view.

To sum up, the theory behind CD logic has been developed, yet it is still relatively new and the logic itself has therefore a need for further research in certain areas. One of these areas is regarding the empirical research as, at the present time, research has mainly been conducted from a theoretical standpoint. This empirical study is focusing on customer value perceptions

and how they experience value within the given context. The authors will analyze the findings of this study and finally assess the contributions in the conclusion. The thesis will provide the implications and future research at the end of the thesis.

1.2 Problem Discussion

Goods-dominant logic started as the leading logic within marketing theory and as service-dominant logic was introduced it became topical for companies and how the company's internal processes and the interaction between company and customer were handled (Heinonen et al. 2010). Times have changed; the focus has shifted from the provider to the customer (Vargo & Lusch 2004) and CD logic has been introduced as a new logic laying importance in understating the customer (Heinonen et al. 2010). Today's research is on a more conceptual and theoretical level. There is a limited outcome for implementations of CD logic supported by empirical data (Heinonen & Strandvik 2015). Almquist et al. (2016a) have reinforced the importance of a customer-centric view of business through their presentation of value elements where focus is on understanding customer value perceptions.

The debate regarding how companies can create value for their customers in the best way has been a peculiar subject within marketing and management theory for as long as businesses have been running. Different views regarding the subject have driven the theory in different ways, yet what many scholars can agree on is that one of the main sources to achieve organizational success and to create competitive advantage is through creating strong relationships with customers (Medberg & Heinonen 2014). The relationship aspect of business can therefore be seen as a generator of value within business but although it is important, it does not alone, just as other value elements, define value as a concept.

Heinonen and Strandvik (2015) suggest that there is a need for empirical research in order to create managerial guidelines for applying CD logic. This is what the authors' experience as a gap in the existing literature and expects to contribute to.

1.3 Aim and objective of the study

The main aim of this thesis is to understand and assess customers' value perceptions and experiences through a CD logic view on business. The objective is to assess the future of companies marketing strategies and develop managerial guidelines within the online apparel industry. To achieve the aim and objective of this thesis, the following three research questions are considered.

1.4 Research questions

- 1. Could customer-dominant logic shape the future of companies marketing strategies?*
- 2. Within the online apparel industry, what are the key components for creating value for customers?*
- 3. Do customer value perceptions align with the existing theories relevant to customer-dominant logic?*

1.5 Limitations

This study will be narrowed down and specified towards the online apparel industry. This study is limited to the value perceptions and experiences derived from one demographic group from a mid-sized city in Sweden. Even though the authors have high ambitions, the time and resource limitation confines this study to the degree it has been limited to. A final limitation regards the generalizability of this study, which have been limited to the given context.

1.6 Expected Contribution

The authors expect to contribute by creating managerial guidelines for applying CD logic on business. This will be done by assessing and analyzing customers value formation process. Furthermore, this thesis aims to contribute to not only CD logic by strengthening it empirically, but also to service research in general.

1.7 Structure of the paper

This thesis is divided into six chapters which is presented as follows:

Chapter one: In this chapter, the reader is presented with the emergence of CD logic, what the gap in the current body of knowledge is and the authors' aim of the study.

Chapter two: In this chapter, a general overview of the current body of literature is presented.

Chapter three: Through chapter three, the authors discuss the methodology of the study and how the empirical findings will be analyzed. Furthermore, the authors discuss trustworthiness and ethical aspects of the study.

Chapter four: In chapter four the reader is presented with the setup of the empirical study and a brief findings report.

Chapter five: As chapter four briefly presents the findings of the study, it is in the fifth chapter the collected data is analyzed and discussed.

Chapter six: The final chapter consists of the conclusions drawn by the authors and ties together the presented findings with the aim and objectives of the study.

2. Theoretical Framework

This chapter will clarify and provide a deeper understanding of the development of the customer-dominant logic through the goods-dominant logic, service logic and service-dominant logic. In order to guide the reader to understand value formation through a customer-dominant logic perspective the authors explain value formation in the customer ecosystem. By highlighting customer-centricity the authors present a new theory focusing on the elements of value.

2.1 Customer-dominant Logic

2.1.1 The shift from goods-dominant logic to service logic

The traditional view of delivering products and service was introduced as the goods-dominant logic (Lusch et al. 2007). Goods-dominant logic's economic ambition is to maximize profit, expand production control and standardize marketing as long as there is a balance of supply and demand (Vargo & Lusch 2004). Value is manufactured and created by businesses to distribute to customers (Tynan et al. 2014). In the early 1970's Grönroos (2006) developed a service-oriented concept that was based on the Nordic School of thought, named service logic. The meaning of service logic is that the interactive processes support customer's value creation. The company together with the customer is the co-producer and co-creator of the value (Grönroos 2006). In addition to the service logic, there is a further understanding of the service-oriented concept named service-dominant logic (Vargo & Lusch 2004). Grönroos (2006) and Vargo and Lusch (2004) had a great influence on the paradigm shift from a "product orientation" focus to a "consumer orientation" (Lusch et al. 2007). Lusch et al. (2007) define service-dominant logic as a logic based on a philosophical approach grounded on collaborating processes with customers, partners and employees to establish co-creation of value within mutual service provision.

Service logic and service-dominant logic's fundamental purpose is to acknowledge the importance of service and interaction between the service providers and customers (Grönroos & Gummerus 2014). Service logic indicates that value creation affects customers' practices and results in companies aiming to support value creation in those processes (Grönroos 2008). As the value generated by customer and provider is co-created value, the customer is in control of both creating and determining value (Grönroos & Gummerus 2014).

In service-dominant logic the customers are viewed as co-creators of value with the provider (Vargo & Lusch 2008) and the value can only be generated by the user in the consumption process together with the service provider (Lusch & Vargo 2006). Furthermore, the service-dominant logic approach emphasizes an active role of the service provider and the customer in the service interaction.

Vargo and Lusch (2004) redefine value as relative to what competitors' offer. They state that value is objective and can only act on the goods resources (Lusch et al. 2007). The perception of value is added to the product in the consumption process and the value is enabled in the exchange (Lusch & Vargo 2006). In contrary, Lusch et al. (2007) state that value according to goods-dominant logic is depended on goods and the applying capabilities of the goods.

2.1.2 Customer-dominant logic

Previous logics remain provider-focused and a criticism is the lack of customer focus (Tynan et al. 2014). The service provider's role is changing and the ongoing discussion around service research and marketing logic emphasizes adjustments in the interaction between the provider and the customer (Heinonen et al. 2010). The service context is constantly changing when resources, service and value creation take place and new views of value creation develop (Voima et al. 2011). Service providers, other customers and actors, the physical and virtual structures related to the service, are all incorporated in the customer ecosystem (Heinonen & Strandvik 2015). The customer is the center of the customer's ecosystem (Voima et al. 2011) and the customer defines the relevant factors of their ecosystem (Heinonen & Strandvik 2015). The understanding of how the service is implemented in the customer's environment has importance in how customers' perceive value (Heinonen et al. 2010).

CD logic is based on the customer's perception of the offering, which includes the value perceptions derived from the customer ecosystem (Heinonen & Strandvik 2015). The CD logic emphasizes a deeper understanding of the customer, and that the customer service experience is a complex and dynamic process (Tynan et al. 2014). Embracing this logic is resulting in a shift from how providers engage customers in the service processes towards how a customer's ecosystem engages different providers (Heinonen & Strandvik 2015). The aim with the CD logic approach is to focus on what the customer is doing with services to

accomplish their own goals instead of what the service provider is doing to generate services (Heinonen et al. 2010). Businesses should focus on what the customer wants to achieve with their service or product (Heinonen et al. 2010). The holistic understanding of the customer's ecosystem is critical since service is logically embedded in the customer's decisions (Heinonen et al. 2010). Heinonen and Strandvik (2013) emphasize that the customer's life and business patterns are central for daily decisions and preferably involve the service provider. Further, Heinonen and Strandvik (2015) claim that the offerings should be customer-related and embedded in the customer's ecosystem. The CD logic's service perspective is how customers embed service and covers both products and services as a foundation of value (Heinonen & Strandvik 2015).

Value creation in customer ecosystems

One challenge in value creation through a CD logic approach is that value has "*multi-contextual and multiple dynamic contexts in the life of the customer*" (Voima et al. 2010, p.1). Additionally, Voima et al. (2011) discuss that there is unconscious value creation in the customer's ecosystem. Heinonen et al. (2013) divided the understanding of the value creation in the customer's ecosystem into five dimensions; (1) *how* value is created, (2) *where* value is created, (3) *when* value is created, (4) *what* value is based on and (5) *who* determines value.

Exactly *how* value is created differs between the perspectives. CD logic's perspective on value formation is based on the customer's behavioral, mental (Heinonen et al. 2013), cognitive and emotional processes (Voima et al. 2010). Value is embedded through unconscious and conscious interactions (Voima et al. 2010) and affects the whole customer ecosystem (Voima et al. 2011; Heinonen & Strandvik 2015). *Where* value creation is formed is in the context of living, numerous visible and invisible forms (physical, social or virtual) and is regularly outside the direct interaction with the service provider (Heinonen et al. 2013). *When* value is created refers to the temporal, situational and cumulative aspects emphasizing that value emerges before, during and after customer experience (Heinonen et al. 2013).

When discussing *what* value is based on, Heinonen et al. (2013) describe that value is based on multiple levels, cumulated and created in a process associated with various individual and service related activities of value. Value is experienced in the customer's ecosystem at a particular moment in a certain situation (Heinonen et al. 2013) and the customers' are the core in their own ecosystem (Voima et al. 2011). Thus, the development of CD logic proposes a

shift of focus from the service and service provider towards the customer (Heinonen et al. 2010). In order to understand *who* determines value, one has to take into account the customer's ecosystem and the network of actors and activities involved in that particular ecosystem (Heinonen et al. 2013). Thus, Heinonen et al. (2010) presented the T-model.

The T-Model

The T-model (figure 1) indicates that the customer's perspective introduces the provider's service and the customer's other activities. The shape of the T-model that Heinonen et al. (2010) introduced, indicates that the customer's perspective is more than just the service the provider offers, but also the customer's whole ecosystem and life. The Y-axis contains the service and the customers' world and the X-axis illustrates a five-step timeframe in a service process starting in the past through to the future. The customer's self-perception and how they perceive themselves as a customer, depends on the value in the history categories Heinonen et al. (2010) describe this as a cognitive experience. The pre-service is the stage when customers address the service. It can be described as a one-way communication from the service provider. The service X stage is the purchasing experience and the value formation is mutual. In the next stage Post service X, the value formation is established in all service around the product. The category Future resides in knowledge or expectation of the future. Heinonen et al.'s (2010) central purpose of the T-model is that the service should be integrated with customer's experience and activities outside the service process.

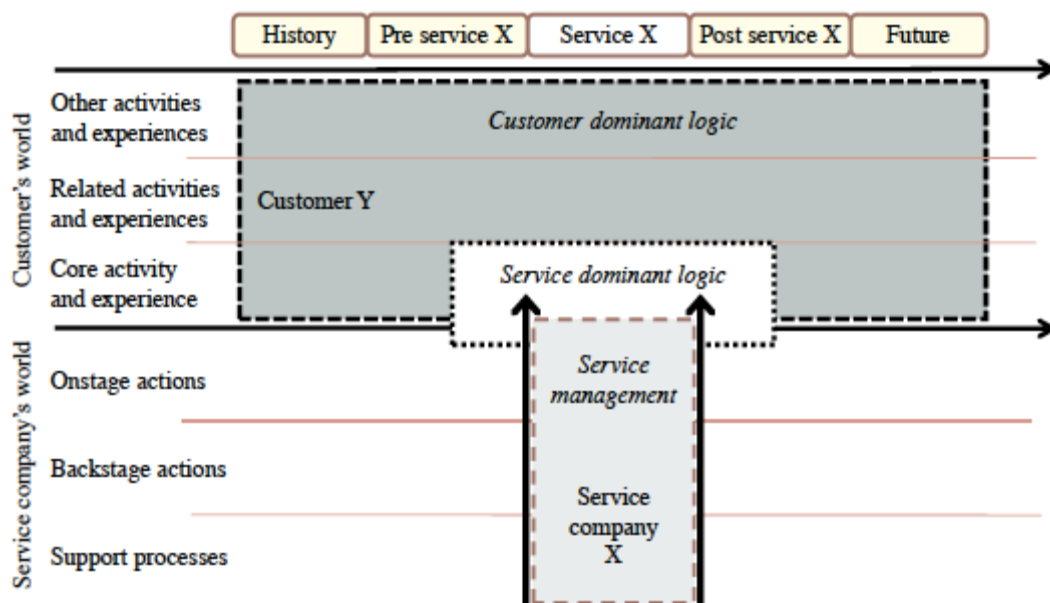


Figure 1 The T-Model (Heinonen et al. 2010, p. 535)

The large grey box represents CD logic. The great challenge for companies is to support customers' network and activities, to manage the onstage and backstage actions Heinonen et al. (2010). In short, the facility of finding out what the customer is doing or trying to do and how the service will fit the customers' (Heinonen et al. 2010). Heinonen et al. (2010) pinpoint the importance of *how* the customer acts around the service.

2.2 The Elements of Value

The article "The Elements of value" by Almquist et al. (2016a), inspired by Maslow's hierarchy of needs, describes thirty value elements. Rather than aiming for a theoretically perfect model, the element pyramid strives for achieving practicality. The elements of value are focused on consumers' needs and how their behavior is related to the product and service. Almquist et al. (2016a) identifies thirty elements of value divided into four categories; *functional, emotional, life changing* and *social impact*. Self-transcendence is what Almquist et al. (2016a) deem as the highest achievable value element whereas one can find value elements such as physiological and safety needs at the first category. The complete pyramid is presented in Figure 2 below.

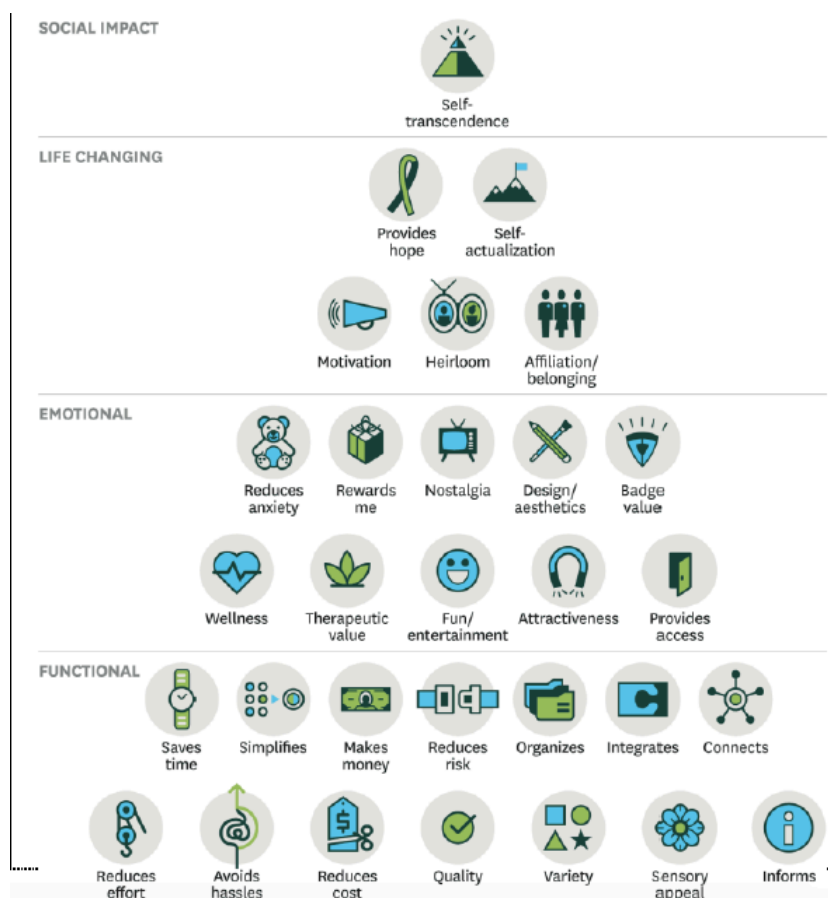


Figure 2: The Elements of Value Pyramid (Almquist et al. 2016, p.48)

The functional elements are elements that create comfort for customers' in their everyday life and reduce complexities, such simple practical effects as *reducing risk, cost and effort* (Almquist et al. 2016a). The emotional elements regard the individual customer's feelings towards the company, product or service (Almquist et al. 2016a). Elements like *nostalgia* for example, are factors that remind the customer of something positive from the past (Almquist et al. 2016b). Emotional attachments to companies can be achieved by, for example, the element *provides access*, that relates to the ability of providing access by information and other valuable substances (Almquist et al. 2016b). By adding the *fun/entertainment* element in the service processes and products, the customer is likely to maintain positive emotions towards the company (Almquist et al. 2016b). The basis of the emotional category is to create customer value through positive emotions (Almquist et al. 2016a). The life-changing category resides in a deeper understanding of the customer and their whole ecosystem (Almquist et al. 2016a). The element *affiliation and belonging* is a way of helping the customer become a part of a group or an ability to identify themselves with other people they admire (Almquist et al. 2016b). Another life changing aspect is the element *self-actualization*, which signifies the capability to reach a personal accomplishment or improvement (Almquist et al. 2016b). The highest category social impact, with only one value element, *self-transcendence*, regards the value derived from helping other people or society in general (Almquist et al. 2016b).

The most common method for companies to reach the higher-order elements is by providing some certain functional elements (Almquist et al. 2016a). It is important to have in mind that the relevance of elements varies depending on industry, culture or demographics, which leads to companies having to choose their elements strategically (Almquist et al. 2016a). Almquist et al. (2016a) establish that companies with high scores on four or more elements have more loyal customers compared to companies that only help their customers' achieve fewer value elements. It is unrealistic to have all 30 elements but evidently; the more, the merrier. The companies who have a continued income growth demonstrated a strong performance on multiple elements (Almquist et al. 2016a). These companies' have a greater understanding of their elements of value and even developed new elements according to Almquist et al.'s (2016a) empirical study. Each new element attracts new customer segments and the elements should have an affect of resolving business challenges (Almquist et al. 2016a). By adapting and understanding the most important elements of the value pyramid, the benefit for the companies is the ability to identify where customers perceive strengths and weaknesses in the

service offering (Almquist et al. 2016a). Thus, the outcome of incorporating the value elements will add value to the brands, products and services (Almquist et al. 2016a).

2.3 The online experience – a customer journey

Grounded in CD logic and the customer journey when buying apparel online, the authors developed a model called “*The Online Experience*” (Figure 3, p. 20). The model considers pre-, during- and post-service interaction stages as the authors believe that the experiences throughout the whole customer journey holds value, referring to Voima et al. (2011) and Heinonen and Strandvik (2015) CD logic view on value formation. CD logic covers more than just the visible service interaction (Heinonen et al. 2013), value is also embedded in the unconscious and conscious interactions (Voima et al. 2010). The CD logic perspective has a deeper understanding of the customers’ choices in the customers’ service experience (Tynan et al. 2014). Heinonen and Strandvik (2015) explain that customers’ daily decisions and inspirations should be provided and embedded in the customer’s ecosystem. Based on these grounded points of the CD logic perspective the authors of the model designed the first step in a customers’ consumption journey that includes how the daily decisions take place and how their ecosystem effects their decisions by need, inspiration and desire.

2.4 Summary of the Theoretical Framework

The theoretical framework provides a value formation viewpoint of the CD logic perspective. To be able to explain and understand value formation from a CD logic perspective, the model constructed by Heinonen et al. (2013) within five questions describing the value creation in the customer’s ecosystem is presented. This model is one of the theoretical core stones in this thesis. It comprehends the relationships between the customer’s ecosystems and how the company can reach the customer (Heinonen et al. 2013). In order to understand *how* value is created, *where* value is created, *when* value is created, *what* value is based on and *who* determines value (Heinonen et al. 2013), the authors believe there is a need of a deeper knowledge of customer value perception. Regarding to the central value creation theories the conclusion is that the customers creates their own value by customer preferences, experiences, actively engagement and social forces (Edvardsson et al. 2011; Heinonen et al. 2010; Heinonen et al. 2013; Holbrook 1999; Tynan et al. 2014; Woodruff 1997). In sum, value formation embraces customers’ whole ecosystem and life.

In order to explore what is creating value for customers the authors' second theoretical cornerstone is the "Elements of Value" model by Almquist et al. (2016a). Defining and understanding elements that influence customers' value perceptions potentially results in loyal customers and benefits as the ability of identifying where customers perceive strengths and weaknesses within a business (Almquist et al. 2016a). A statement from Almquist et al. (2016a) study is that the companies who have a continued income growth demonstrated a strong performance and knowledge on multiple elements. Almquist et al. (2016a) model delivers customers' holistic manner and creates deeper understanding of the potential customer's life. From a CD logic perspective Heinonen and Strandvik (2015) defines value formation as a need of understanding the customer's ecosystem and how the service can support customer's life. The theory behind the online experience model is finally presented at the end of the theoretical chapter.

3. Methodology

In this chapter, the authors argue for the methodology that has been used in this paper. The research approach, the sampling method, the interview process and the data analysis process will be presented. As focus groups are the way in which data is collected, the authors present how the ethical issues have been considered. Furthermore, the trustworthiness of the research will be discussed since it is of great importance when assessing a qualitative study.

3.1 Introduction

After rigorous research leading towards a well-formed theoretical framework the empirical study began to take shape. As the research method and design were chosen, the context in which the study would be undertaken was shaped thereafter. The study was conducted in a setting in which customers' were able to formulate their thoughts and experiences in a collective environment. This study was not solely conducted with regards to the experiences customers' had had through a specific company, rather it focused on the unified experiences of customers' across the online platform in order for the researchers to get a holistic understanding of the customers' value formation process. The decision behind why the study was solely based on customers' thoughts and value perceptions resides in the purpose of the study, that is gaining customer insight.

3.2 Research Approach and Method

Given the complexity of this study, it is essential to use the right methodology to create strong, accurate and valuable data that the authors can employ to base the analysis and result on. Within research there are two commonly known approaches when conducting a study, a deductive and an inductive approach. Inductive research is characterized by the way in which the research develops new theory through the results of the study, while a deductive standpoint refers to testing existing theory rather than generating it (Bryman & Bell 2015). Furthermore, there are two general orientations when conducting business research, quantitative and qualitative. A quantitative orientation emphasizes quantification in the data collection whilst a qualitative research strategy resides in interpretivism, focusing on words and the meaning behind them (Bryman & Bell 2015). Using an inductive, qualitative research method is therefore the way the authors have chosen to conduct the study as the research purpose is of a qualitative nature.

One of the most commonly used methods when conducting qualitative studies is the case study method as it “*provides tools for researchers to study complex phenomena within their contexts*” (Baxter & Jack 2008, p. 544). Our studied context is the within the online apparel industry and as case studies tend to be used when researchers ambition is to understand *how* and *why* of a phenomena, the authors believe that a case study method suits the purpose of this study which is to gain customer insight.

3.3 Data collection

In order to obtain strong, accurate and relevant data to, in the best way, answer our research questions, focus group interviews were conducted. Focus groups are semi-structured interviews with multiple participants that together discuss a topic that is of interest by researchers with a moderator who guides the session without interfering too much, letting the participators lead the discussion (Bryman & Bell 2015). The main reason behind the choice of method is grounded in the way focus groups tend to develop an understanding for *why* people answer as they do, as they often have to argue for their opinions with other participants (Bryman & Bell 2013). Interestingly in situations like the one occurring within focus groups is that participants can have vast differences in their beliefs and with little interference from the moderator, the discussion tends to become more realistic, as the situation defers from the traditional question-answer-question-answer situation that occurs when conducting single interviews towards a more discussion-type of style (Bryman & Bell 2013).

Another positive aspect of conducting focus groups as an interview method is in the way social phenomena’s are undertaken. Rather than being individually undertaken separate from others, it occurs through the discussion and interactions with others (Bryman & Bell 2015). Thus, focus groups reflect how meaning is constructed through everyday life, which goes in line with how the CD logic defines value, a collectively measured phenomenon.

3.3.1 Primary data collection

Sampling

As there is great importance in matching methodology with the aim of a study, an equal importance lies in ensuring that a study has a relevant sampling group that provides saturation in order to validate the forthcoming result of the study. This study is therefore based on a purposeful sampling approach. Purposeful sampling is a non-probability sampling method that identifies and selects information-rich cases related to the subject of interest (Palinkas et

al. 2015). Not using a probability sampling method is argued through the aim of our study, where creating a representative picture of a whole population is not this research's focal focus point. Preliminary screenings of potential participants were made ensuring a relevant sample group that was knowledgeable about, and has had earlier experience with online retail. These screenings were conducted through questionnaires handed out prior to the focus groups to categories the relevant participants (see Appendix A), but also ensure diversification through gender, age, experience and occupation within the focus groups (Bryman & Bell 2015).

The sample group consisted of eleven women and nine men, with differing levels of expertise and experience within the area of the study. The ages ranged between twenty to twenty-six years with all of the participants being currently enrolled at a university in Sweden. As the sample group needed to be the size that it was given the time frame, the authors felt the need to focus on a defined group of people to get the best understanding as possible from the specified group. Bryman and Bell (2015) suggests focus groups should consist of six to eight participants as a smaller amount could impoverish the discussion, whilst a number greater than eight often tends to become a nuisance for the participants. Given the time frame and the resources available for the authors with reaching saturation in mind, four focus groups were conducted. Discussions were held regarding the size of the focus groups and, with recommendations from several researchers at Karlstads University, a size of four to six participants was selected, as it would still enable meaningful discussion.

Interview Process

After an overview of the pre-study questionnaires, the authors created a sampling group in accordance with the requirements set to ensure strong, reliable results. The focus groups were conducted according to the pre-determined interview template (Appendix B). An introductory letter (Appendix C) welcomed the participants and briefly explained the agenda of the session, some ground rules, the participants' rights and information about the researchers and the study.

Prior to the discussion amongst the participants, a presentation was made regarding *the online experience* (Figure 3), which worked as a reference point for the participants during the discussion.

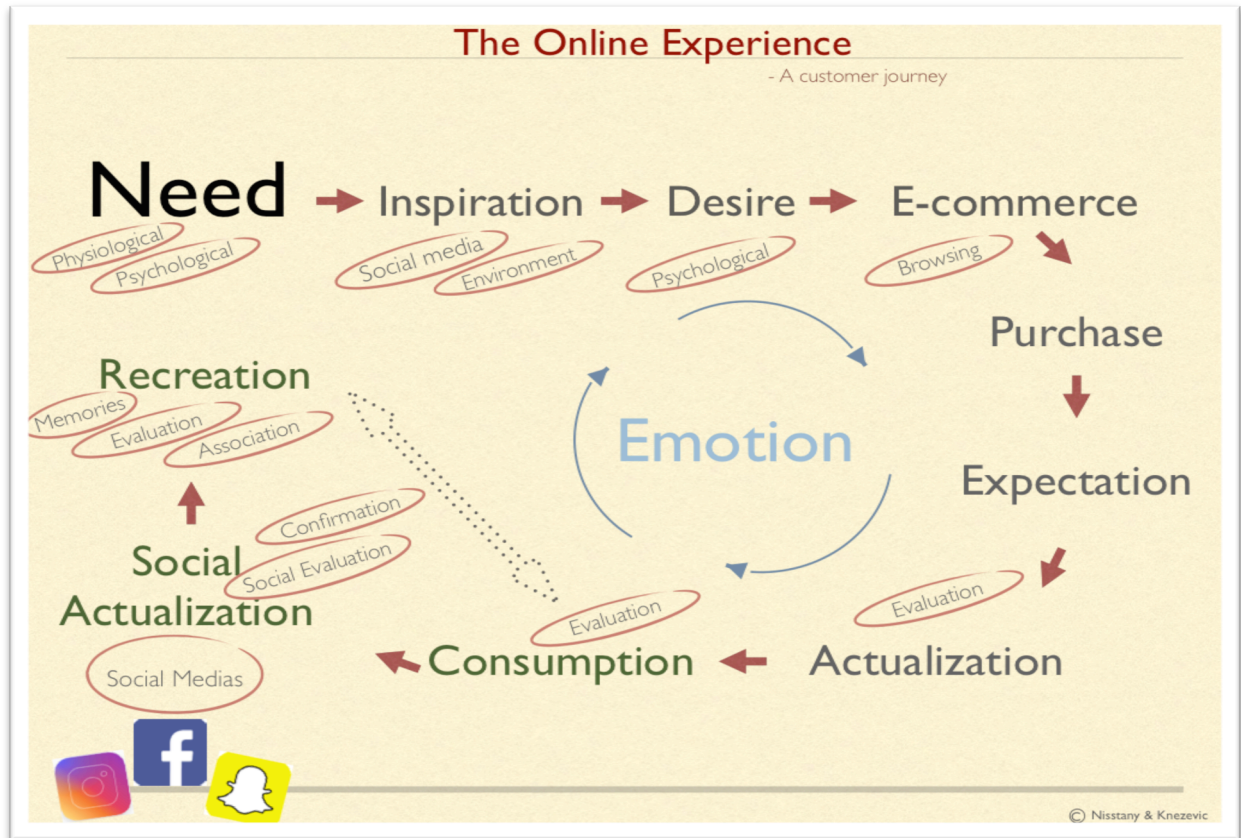


Figure 3: The Online Experience model

The Online Experience model consists of ten stages in which the stages are, as previously mentioned, divided into three categories, pre-, during- and post-service interaction. The authors presents emotion as an influencing factor in all of the stages the in the model. The three categories are explained below.

Pre service interaction

The three stages that are included in the pre service interaction are the *need*, *inspiration* and *desire* stage. The need stage resonates in how the journey tend to start with just that, a need, whether it is psychological or physiological. As there is a need, that can be either conscious or subconscious, customers are exposed daily to inspiration both from social media and from their environment. As with any individual, the authors deem inspiration as the main generator towards the desire, which is a psychological state of mind.

During service interaction

Two stages of the online experience are labeled under “during service interaction”, *e-commerce* and *purchase*. As the desire is built up, a customer visits the online retailer and

purchases the specific product that the person is interested in, leading us to the five post service interaction stages.

Post service interaction

The post service interaction stages are *expectation, actualization, consumption, social actualization and recreation*. When purchasing apparel online, there is a waiting time for the apparel to reach the customer, which can differ between online retailers. As the apparel reaches the customer, the *actualization* stage is reached. This stage is most often when the true evaluation occurs as the evaluation prior to the actualization stage has either been online or not as the owner of the clothing piece. The consumption stage refers to when the customer wears the clothing piece, where the personal evaluation of the apparel continues. As the consumption stage is reached, social actualization becomes active. This stage refers to the potential confirmation and evaluation within the customer's ecosystem. With the introduction of social media, the confirmation and evaluation has been broadened to the online community as well. The final stage of the online experience, *recreation*, refers to the mental activity where the customer again evaluates and associates the clothing piece with the memories created with the clothing piece. The arrow between *consumption* and *recreation* refers to how the apparel usually is used more than one, which creates a cycle where the three last stages reoccur.

To ensure a free flowing and an as open discussion as possible, the focus groups were conducted in the participants' native language. The interview template was unformed by the theories on customer dominant value formations in service developed by Heinonen et al. (2013). Grounded in understanding value, the template focuses on answering five key questions: How, where and when value is created, what value is based on and who determines value. Starting with an opening question, we aimed to make the participants understand the nature of the discussion. One by one, five questions (tied to each of the value aspects) were thereafter opened for discussion. As the participants ended a discussion, the researchers would ask if they felt that they have something more to add that haven't been brought up. Thereafter the discussion continued to the next question.

A crucial part of focus groups is the passive role of the moderator, meaning that the moderator may not intervene in order to not disturb the free flow of the discussion (Bryman & Bell 2013). Therefore, the authors knowingly approached the discussion in a passive type of

manner. At the end of the focus group the authors thanked the participants for their contribution and briefly explained the coming process regarding the collected data as suggested by Bryman and Bell (2013).

3.3.2 Secondary data collection

In addition to the primary data collected through the focus group interviews, the authors have used secondary data collated through an extensive literature review. The main source that the secondary data has been collected from is Karlstad University's library database, which includes databases such as Business Source Premier and Emerald Insights. Furthermore, Google Scholar has been used to obtain earlier research and publications.

3.4 Data analysis

Whilst conducting the focus groups the sessions were recorded to be transcribed at a later point. This was done retain as much of the obtained data as possible. The transcription process refers to when researchers word out audio recordings into a full document (Bryman & Bell 2015). As with most qualitative research, the amount of data collected and transcribes tends to be a lot. In these large amounts of data, it tends to include data that are irrelevant towards the purpose of one's study. In order to screen out the relevant data, researchers use different approaches. One of the most common ways to approach data that has been collected by quantitative measures is called thematic analysis (Bryman & Bell 2015). Essentially, the purpose with thematic analysis is to construct central themes and sub-themes to categorize data thereafter (Bryman & Bell 2015). The authors of this study have been inspired by this way of analyzing data and preceded thereafter. The themes in this study are built on the value elements presented by Almquist et al. (2016) as this study's focus was to understand the participants value perceptions and how they reason around them. The central themes are what Almquist et al. (2016) refers to as categories and the sub-themes were designed after the thirty value elements. Furthermore, the dimensions developed by Heinonen et al. (2013) acted as a frame for which the whole study was conducted. With the data analysis grounded in theory the authors believe that the conclusions drawn from the analysis were strengthened. Furthermore, the designed analysis supported the authors when coming up with relevant questions towards the aim of the study.

The authors purposefully selected, to the best extent, the quotations that represented the general view regarding different matters. In table 1 the authors have exemplified how the thematic analysis has been done. The selected quotations were translated to English.

Theme	Sub-theme	Example
Functional	Reduces effort	Participant 1 <i>“It is so nice that you can search on internet and different websites when ever you want. Like, the best thing I know is to lie down and search on websites. Between 22-24 by night, when all of the stores are closed. Then I got time and it’s not stressful at all, I can just shop in peace and no worries.”</i>
		Participant 6 <i>“You can buy something without even leaving your home. You can even get home delivery. Pay and get it home without making any effort whatsoever”</i>
Life changing	Affiliation and belonging	Participant 15 <i>“Confirmation too, enjoyment comes if people are telling me that I have a nice shirt. When you get confirmation, that’s when the enjoyment comes.”</i>
	Self-actualization	Participant 10 <i>“If I know that I look good then its obvious that my self-confidence will rise.”</i>

Table 1: Coding examples from the data analysis

3.5 Trustworthiness

Guba and Lincoln (1994) are critical about the notion of an absolute truth of the social world that is the standardized view within quantitative research and through that argue for a different quality review when it comes to qualitative research. As reliability and validity are still of importance, they are revised in order to become more applicable towards qualitative research, because the goals of the two different research approaches differ (Bryman & Bell 2015). Guba and Lincoln (1994) propose trustworthiness as the main criteria for assessing a qualitative study where the trustworthiness consists of four sub-criteria, credibility, transferability, dependability and conformability. The authors of this study aspire to create trustworthiness using these defined and well-known methods of Guba and Lincoln (1994). Following comes a presentation of said criteria.

Credibility

The credibility criteria reside in establishing and ensuring that the research is carried out following the canons of good practice as there can be several possible accounts of an aspect of social reality (Bryman & Bell 2015). In having a supervisor with extensive experience within scientific research, the authors' of this study have had a good reference point to ensure that the research has been carried out following the cannons of good practice.

Transferability

Qualitative research is in general characterized by an intensive study that looks in depth within the given area to develop an understanding for the contextual uniqueness of the social world being studied (Bryman & Bell 2015). Given the above mentioned, transferability of results within qualitative studies is difficult to achieve. Geertz (1973) encourages qualitative researchers to produce thick descriptions of the culture and details of the study as it provides a foundation on which judgments of the trustworthiness of the study can be done. The authors of this study have followed the recommendations of Geertz (1973) and provided thick descriptions in all areas of this study in order to gain a higher level of transferability.

Dependability

In order to fulfill the dependability criteria, researchers need to adopt an auditing approach (Bryman & Bell 2015). This is done by presenting and ensuring that all phases of the research process are available for the reader (Bryman & Bell 2015). By presenting material linked to the research process as appendixes, the authors aim to achieve dependability.

Confirmability

By ensuring that the research has been done in good faith, the confirmability aspect can be fulfilled, as complete objectivity is impossible in business research (Bryman & Bell 2015). In this paper, the phases in the research process have been discussed and approved by the authors' supervisor in order to minimize objectivity and get a professional opinion in the matter.

3.6 Research Ethics

One of the key questions with ethics in general within service research revolves around how the participants should be treated (Bryman & Bell 2013). More specially, the ethical grounds tend to revolve around the willingness to share, the integrity, the confidentiality and the

anonymity of the participants. In order to establish good research ethics, the researchers of a study need to comply with the five principles that are mainly used within service research. These five principles are; (1) the information requirement, which discusses how the participants should be informed regarding the purpose of the study, (2) The consent requirement, which stipulates that the participants should be informed that their involvement in the given study is optional, (3) The confidentiality and anonymity requirement, regarding how the researchers should handle sensitive information about the participants with respect and caution, (4) The consent requirement, which stipulates that the data collected will only be used in regards to the research in question and finally, (5) the honesty requirement that emphasizes the importance not giving the participants false information or misguide them (Bryman & Bell 2013).

During the whole research process, the conducting authors have considered these requirements and complied with them in order to fulfill good research ethics.

4. Empirical study and Analysis

The results of the empirical study will be presented and analyzed in the following chapter. This will be done continuously throughout the chapter. The chapter is divided between five value dimensions representative of CD logic that were used when conducting the interview questions; how value is created, where value is created, when value is created, what value is based on and who determines value. At the beginning of each dimension, the theoretical definition of each value dimension will be presented in order to improve the reading experience.

4.1 Background

Whilst building up the empirical framework for this study, the authors took into consideration what the aim of the study was and contextualized the study thereafter. The empirical study aimed to evaluate customers' perceptions of value in the online apparel industry. In our pre-study questionnaire (Appendix A) we asked the participants to list their most frequently visited websites when shopping online. This was done in order to ensure that the discussion between the participants was held within the framework of what the authors set out to be pure apparel websites. By pure apparel websites the authors refer to websites where the main objective is to sell apparel. The participants listed websites in the pre-study questionnaire that corresponded with what the authors deemed to be pure online apparel websites, which in turn held the discussions in the focus groups within the parameters of the intended area of study. Sites such as NA-KD, Zalando, Zara, Nelly, Care of Carl, ASOS and H&M were listed to mention a few.

In accordance with the CD logic perspective of marketing, this empirical study set out to answer the following; how value is created, where value is created, when value is created, what value is based on and who determines value.

4.2 How value is created

“Through the cognitive, mental and emotional processes customers consciously or unconsciously interpret interactions and reconstruct an accumulated customer reality where value is embedded in.” – Voima et al. (2014, p.559)

Through the empirical material clear signs emerged on how value was created. A similar trait that emerged across all interview sessions was how, in accordance with Heinonen et al. (2013), value was formed through the mental and behavioral process of the customer rather than simply being created in the “*dyadic co-creation process*” that is the service dominant logic view of how value is created. Our respondents showed signs of value creation beyond the core activity and experiences in the service process as several respondents experienced value through the social aspects of the “*online experience*” model (Figure 3). Examples of this were shown through the collective understanding between four participants of how value was embedded in the accumulated customer reality:

“It’s probably just that. The feeling of going out in something brand new. It’s probably no one that would notice it, if not one’s closest friends. But rather the feeling you get from it makes you feel a little prettier.” – Participant 13 ... “I think it has to do with self confidence, when you wear something new” – Participant 14 ... “And if you come with that confidence, you study better, you feel better. It goes hand in hand. It becomes a big cycle of that if something works, it is shown in different parts of your life” – Participant 11 ... “The thing with dress for success, it’s really true” – Participant 13 ... “It reflects on your personality and everything really. It’s really important how you dress and how you feel. Sometimes I can think, what did I really put on today, and I’d walk around and think about it all day.” – Participant 14 ... “I think that essentially it’s more of a inwards thing rather than an outwards thing. One’s own feeling, that you feel better.” – Participant 12

The example above display clear signs of how value is integrated in the customer’s reality outside the service process. The common denominator resides in the individual's experiences that the participants describe, and according to our research a significant part of the value perceptions are based on perceptions from one's personal ecosystem.

When interpreting the results of this study through the “*Elements of value*” model developed by Almquist et al. (2016a), value denominators are seen at multiple layers of the pyramid. As the authors do believe that a CD logic approach on business is essential in the business landscape of tomorrow, this study did show signs of the importance of functional elements. *Reducing risk, cost and effort* were shown to be important. Furthermore the participants

valued companies that *simplified* the “online experience” and *saved time* for the customers. As participant 3 exemplifies:

“I believe there’s two things that are important when I’m visiting online retailers, that it’s easy to navigate around and when the sites have a comment section so you can see what others think of the specific clothing.” – Participant 3

Noteworthy is that the importance of the functional elements were, across all focus groups, only mentioned at the beginning of the discussions. As the discussion between the participants went further, they revealed in their arguments how the true value laid in achieving the higher levels of the pyramid. The interpretation the authors make of this is similar to the one of Maslow’s in his famous hierarchy of needs pyramid, which, not so coincidentally, is what the “Elements of value” pyramid is built on (Almquist et al. 2016a). Our study shows that the functional elements function is to lay ground for customers to reach the higher levels of the pyramid, similar to how Maslow's hierarchy of needs is built. This interpretation was shown to be applicable throughout all five value dimensions.

4.3 Where value is created

“Value is formed in multiple visible and invisible experiential spaces (e.g. biological, physical, mental, social, geographical and virtual), which reflect the customer’s often uncontrollable ecosystem and life sphere.” (Heinonen et al. 2013, p. 109)

Although they have similarities and sound alike, it is important to differentiate *where* and *when* value is created. *Where* value is created refers to the experiential spaces of an individual whereas *when* value is created refers to the temporal and situational aspect of an individual's life (Heinonen et al. 2013). This study confirmed value creation in the ecosystem and life sphere of the customers. In the participants’ discussion, emotional elements proved strongest indications of *where* value was created. Furthermore, functional elements were also valued but across all focus groups the true value was derived from customers’ psychological experiences throughout the “online experience”. To illustrate where value is created, the authors divided the “online experience” into three temporal categories pre-, during- and post-service interaction.

When discussing pre-service interaction the main value derived from the participants was through the mental processes. All participants acknowledged how they involved social media in their daily routines and how they found inspiration through different social media channels. Heinonen et al. (2013) accentuate the importance of companies being a part of “*the accumulated reality and ecosystem of the customer*” (p.109) rather than acting as a business where individuals ‘pass through’. Through a presence on various social medias companies interact with not only existing but also potential customers in their personal life sphere. Intriguingly the collective understanding was that the participants did not see it as commercial when encountering marketing on social media, rather they saw it as a source of inspiration. Two participants exemplified this as the discussion evolved around the said area in the focus groups:

“I think that it is as we say, often we just sit down and look everywhere, everywhere on social medias and browsing on different sites. And it about inspiration, just browsing on the internet” - Participant 18

“So during the whole day I get a lot of inspiration through my phone [social media streams]. I’m always active on Instagram. I’m on different websites and on Snapchat where I follow companies that gives us for example sneak peeks on new collections.” - Participant 6

As social media has become a part of people’s everyday life, utilizing the potential in that might have an impact on companies’ performance. It creates a climate where companies can use the interest of individuals to create a desire, which in turn leads to potential customers. The participants led the discussion towards how this created value through several emotional elements of the “*elements of value*” pyramid (Almquist et al. 2016a). The two elements that stood out were how the companies *provided access* and a source of *fun/entertainment* through their presence on various social media channels.

During the service interaction the participants were in agreement, the functional elements held strong value. The company that was mentioned as the most frequently visited, Company Y, had one ‘element’ fulfilled that differentiated them from the competitors, ‘*integration*’. Integration refers to the value derived from integrating different aspects of the customer’s life (Almquist et al. 2016b). Company Y designed their website to integrate a social media feed

alongside their offerings which the participants described as “*more appealing*” - *Participant 1* and “*new and fresh*” - *Participant 11*.

Post service interaction is where the discussion went to a deeper level and psychological well-being was proven the most important aspect. Human beings seeking psychological well-being is commonly recognized and our study demonstrated how it can be obtained through two main elements, *self-actualization* and *affiliation and belonging* (Almquist et al. 2016a). Rather than the apparel itself, the experiential impressions the participants took in reflected their vision of true value, demonstrating value-in-experience (Heinonen et al. 2013). The discussion below between two participants is a good example of the collectively shared understanding across the focus groups:

“I get a confidence-boost and feel more attractive when I have a good looking outfit on me” - Participant 16... whereupon another participant added: *“So you guys thought about it too? I think the posture gets better and you get happier when you feel attractive. If you’re not feeling that, you tend to hide and not draw that much attention to yourself” - Participant 17*

The other key experiential space was the value derived from the social aspect of apparel. The participants discussed and reasoned around why they visit the specific sites they do and why they purchase specific types of clothing. Participant 18 came to the conclusion that *“It has to do a lot with fitting in. Feeling comfortable with the group, the social group you identify with”*. Another participant reasoned similarly by stating: *“I am pretty affected by trends and what I see on social media streams” - Participant 2*. The collective understanding was exemplified well by Participant 6, who after a lengthy discussion came to the conclusion that *“It always comes back to social acceptance”*. Social acceptance was the clearest sign of the value generation through *affiliation and belonging*.

4.4 When value is created

“If value-in-use is no longer seen as only behavioral activity, but also including mental activity then the time-frame is not only linked to the service process but it can be extended beyond the interactive process.” (Heinonen et al. 2013, p. 110)

CD logic accentuates the notion of value creation even without the presence of service providers (Heinonen et al. 2013). In addition to the provider-dominant logic perspectives of when value is created, Heinonen et al. (2010) introduce the “T-model” in order to provide a deeper understanding, acknowledging customers accumulated experiences defining value across pre, during and post service experiences. The discussion between the participants in this study was in concurrence with this notion as they provided valuable information regarding value-generating moments outside the service encounter. Interestingly the participants laid great importance in the mental activity that occurred. Both the excitement prior to the service encounter and the memories after the service experience proved to be important value generators.

As services become integrated in customers’ *‘dynamic and multi framed reality’*, creating an enjoyable service experience proved to be all the more valuable. The participants entered the discussion describing how value emerged as they interacted with the companies but as the discussion went further, like before, the discussion went deeper; in the sense that the participants, together, analyzed other aspects of the *“online experience”*. The collective understanding at the end of the discussions was that as the service interaction plays a big part, the experiences prior, but mostly post service encounter, is where the true value lays.

The emotional elements that Almquist et al. (2016) describe in the “elements of value” model played a significant role in when value is created. The participants expressed how different emotional states at different occasions shaped their value perceptions, affirming the notion of how value has been reframed *“in terms of temporal, situational and cumulative aspects.”* (Heinonen et al. p. 110). Two participants discussed the subject interestingly where participant 2 stated:

“I shop when I’m in a good mood, when I feel good about myself.” whereupon participant 1 added: *“I think that a lot of people are shopping when they are sad, for comfort but also as you were talking about, the reward. If you study hard a whole week you allow yourself to buy something. You think about buying something for a while and then you think; okay now I’ve been good.”*

Following came an agreement from the rest of the participants. This thought was not specific to one group; rather it was a recurring theme across all focus group discussions.

4.5 What value is based on

“Value is relative on multiple levels and cumulated and formed in a process related to multiple personal and service related value frames” (Heinonen et al. 2013, p. 111)

Regarding *what* value is based on there was, as expected, different opinions across the discussions. Using a focus group design aided this study as the different opinions created a situation where the participants had to argue for their standpoints. Through the argumentative reasoning *what* participants based value on were unfolded, resulting in an interesting outcome. The participants followed the specific theme they had built up by initially discussing what they valued in terms of functionality towards developing their thoughts into the fundamental aspects of what they value. It was at this point of this study one of the clearest signs of the participants desires towards reaching the higher levels of the “*elements of value*” pyramid unfolded. Although most participants went through different paths towards achieving true value, the common denominator was always the ambition to reach it. Heinonen et al. (2013) underlines the comparative advantage and its relevance when assessing what value is based on. Participant 7 exemplified their multi-contextual relative value in a clear way:

“Well it's a little like this, I like expensive handbags and I know that some of my friends doesn't feel the same about them [the handbags] and the amount I spend on them but I really think it's worth it. I don't quite know how to explain it. I satisfy myself with it. So I guess it depends, my strong interest in apparel makes me value clothing and apparel much more than others” - Participant 7

Several aspects of this particular quotation holds interest. Not once during the discussion does she mention functionality of said item, proposing that value is based on other elements. Across all participants, improving the emotional and physical state were shown to be valued to a greater extent. Again, functionality proved to be valuable, but what separated the company that were mentioned as the most frequently visited, Company Y, from the competition was how they were able to aid customers in reaching the higher levels of the “*elements of value*” pyramid. Another noteworthy aspect of this particular quotation were how the participant reasoned around *self-actualization* and *affiliation and belonging*. By satisfying themselves, the participant creates an environment where they feel better, that in turn allows them to do better. Thus, the handbag works as an entity towards becoming the best version of themselves, that in

turn leads to *self-actualization*. Experienced value from affiliation towards a lifestyle was also proved to be important. The authors conclude that the mental state in which participants felt *affiliation and belonging* and *self-actualization* is when they experienced true value.

4.6 Who determines value

“Value is not isolated since the reality of the customer is interconnected to the realities of others. Value is therefore embedded in the dynamic, collective and shared customer realities.” (Heinonen et al. 2013, p. 112)

In order to understand the following discussion around *who* determines value, the authors felt a need to understand who the person behind the customer is. In doing that, the authors hoped to get a sense of the participants' ecosystem and to what degree they are influenced by it. The findings of this study acknowledge the notion of CD logic that proposes that value is *“embedded in the dynamic, collective and shared customer reality”* (Heinonen et al. p. 112). From the beginning of the discussion around *who* determines value, the participants fully acknowledged that value was not isolated and experienced singlehandedly. What was interesting in the findings of this study though was to what extent the participants determined value based on the value perceptions in their ecosystem. The initial general assumption was that an individual's closest surrounding (e.g. friends and families) had the strongest influence when determining value. As the discussions went further, the participants developed their thoughts and through an argumentative approach concluded noteworthy points. Most interestingly, they discussed what “closest surrounding” truly means. In a society in which we have the whole world available to us two-three clicks away in our pockets, how do you define “closest surrounding”? By integrating the life one has online together with the traditional view of friends and families. One participant explained how her close friend influences her and how she determines value with regards to how her friend experiences value, but still acknowledges the influence from others. *“I guess that indirectly it [my influences] comes from social medias, even though I myself might not get it from there”*. This is an example that holds strong value as it clearly shows that a customer's ecosystem does not have a definite end. As we live in a society in which we all are connected online through social medias, we all become parts of each other's ecosystems in a certain way. When people “follow” others online, they empower those people to influence others on social medias. Thus,

an individual's preferences become of worth for other individuals', and the role of social media becomes of great importance.

The examples below insinuate just how important social media has become when determining value. Some participants were a bit vague stating *"I am affected a lot by trends and the things that are shown on my social media feed."* – Participant 7 and *"It has to be where we get our influences from the most, social medias that is"* – Participant 2 whilst others were more direct, like participant 19: *"I get my influences from social media"*.

As the importance of social media was determined, the authors of this study set out to understand the underlying factors. The evidence pointed towards *"life changing"* elements (Almquist et al. 2016a), where *'affiliation and belonging'* were heavily featured. There seemed to be an underlying understanding between the participants that there was value in feeling affiliation and belonging. What an individual was wearing seemed to be affiliated with the personality of said person, as participant 1 explains: *"Let us say you're off to a conference, then it [one's style of clothing] is a little bit about people's perception of how you are as a person"*. As the discussion went to a deeper level, the origins of their opinions began to surface. To fit in, to become a part of a group, to *feel belonging*; that is true value. Following comes a selection of quotations that the authors' believe confirms this.

"It's probably a lot with that you want to fit in. You see people that you associate yourself with them and go from there." – Participant 3

"In the end the feeling has to do with that you want to fit in" – Participant 2

"I think that basically, it really has to do with fitting in. Some sort of subconscious survival instinct. After all, we are 'herd animals' " – Participant 10

After the discussion that we want to *feel* affiliation and belonging, the participants analyzed *how* it affects them, whereupon participant 7 exemplified it well: *"It's kind of strange how we can go from thinking that something doesn't look good at all towards really liking it just because others have it, but it really is like that"*. This is another example that, according to the authors, hold great value as it proves that by influencing how society determines value, one influences how the majority of people determine value.

5. Discussion

In this chapter, a discussion will be presented with regards to the findings of the empirical study. The authors will present and answer the research questions of this thesis.

5.1 Shaping the future of companies marketing strategy by using a customer-dominant logic approach on business.

Through the result of this study, the authors have empirically strengthened the relevance of CD logic. In strengthening the relevance of CD logic, the authors believe that within the given context, a CD logic approach on business *could* shape the future of companies marketing strategy. Rather than mainly focusing on offering the best product or service, marketers should focus on how they can aid customers to enjoy their lives to the fullest, enriching the customer experience. A great example of how this holds true is how the online apparel retailer that were most positively mentioned across all focus groups was the retailer that had incorporated a social media feed on their website. In doing so, Company Y have used a customer-centric approach on business which can be seen as, according to our study, a successful marketing strategy.

5.2 The key components in creating value for customers within the online apparel industry

The second research question referred to the development of managerial guidelines developed through a CD logic perspective on marketing. The managerial guidelines are presented below as a result of this study through the five value dimensions grounded in CD logic (Heinonen et al. 2013)

How companies create value

In the business landscape of this era developing strategies are complex in nature as both markets and technologies evolve on a daily basis. As competition rises, customers' can demand more for a cheaper price. In order to establish sustainable competitive advantage companies need to evolve alongside their customers. How can then companies create value? Our study has shown that there is a need for companies to understand that as they provide and have strong functional elements, the business landscape of tomorrow will also require them to fulfill both emotional and life changing elements of value.

Where companies create value

After analyzing the collected material, the authors believe to have found compelling arguments towards where companies can create value. To generate sustainable competitive advantages companies should focus on aiding their customers fulfill “*life changing*” and “*emotional*” elements. In order to be able to provide this type of service, companies need to have strong “*functional*” elements as they form a base on which the customer can stand whilst reaching for higher levels of the pyramid (Almquist et al. 2016). The notion that value is created in the “experiential spaces” of people (Heinonen et al. 2013) was also confirmed in this study. A quotation by Participant 5 demonstrates this the clearest: “*It is not the clothing piece itself that creates the value, rather it is with the clothing piece value is created*”.

When companies create value

Our study has showed evidence that value is created whenever a customer experiences value. Experiencing value will be seen through a personal context (Heinonen et al. 2013) and generated primarily through *emotional* and *life-changing* elements. Our study showed an importance in value generated post service interaction through value-in-experience. The authors conclude that value is derived from mental activities, in which most of them are generated through the experiences post service interaction. Thus, the authors strengthen the aforementioned argument that companies should focus on fulfilling customers *emotional* and *life-changing* elements post service interaction.

What companies can base value on

In order to have the knowledge of *what* companies should base value on, they first need to understand their customers’ value generators. Our study has shown that customers perceive value depending on their psychological state. By creating an environment in which customers can stimulate their psychological state positively, companies can differentiate themselves from competitors. This can be done by aiding their customers in reaching *self-actualization* and feel *affiliation and belonging*. Marketing should therefore aid customers in visualizing the potential worth their particular product or service can generate. Rather than focusing on value-in-use, this study has confirmed the importance of value-in-experience.

How companies can affect value determinants

To be able to influence customers, companies need to understand that there is a holistic understanding of value that the majority of people are influenced by. Although the customer is

the final decision maker, this study has proven that individuals take society's perspective of value into account to a great extent. This is taken in through a person's closest surrounding, that in today's society have been broadened from the traditional view as previously mentioned. Both the individual and the close surrounding within the customer's ecosystem are in turn affected by influential people on social media. By manipulating what social media profiles share on their accounts, companies can indirectly create a desire that in return could potentially generate a wider customer base. In the studied context, the authors believe that by affiliating the apparel with someone or something customers admire they give their customer an ability to identify themselves with a person or a lifestyle.

In sum, the key components in creating value for the customers' resides in the customer's perception of achieved true value, which is a proposed new term by the authors defined as; *a state-of-mind in which a person finds psychological well-being through the experiences derived from a product or service*. As true value is achieved in the customer personal sphere, outside the company's control zone, the company merely provides the tools for which the customer herself/himself utilizes and thereafter achieves true value. This study has shown that in order to aid customers in their aim for true value, an online apparel retailer firstly needs to have stable and well-working functional elements, where an incorporation of social media in the service experience proved to be important. Secondly, companies within the given context can add value to their product or service by creating a holistic experience, incorporating emotional elements to their offering. As functional and emotional elements are incorporated in the offering, companies can aim to reach the life changing elements, by for example, creating a brand or a community to which individuals can feel affiliation and belonging towards. The authors have intentionally left out the highest step in the "*hierarchy of needs*". It would be considered a stretch to draw any conclusions regarding social impact as none of the participants specifically mentioned *self-transcendence* whereas signs of life changing elements such as *self-actualization* and *affiliation and belonging* were clearly shown.

5.3 Customers value perceptions alignment with the existing theories relevant to customer-dominant logic.

When reflecting over customer value perceptions and their alignment with the existing theories relevant to CD logic, the authors to believe this study has provided evidence to draw the conclusion that they in fact are aligned to a great extent. Multiple times during the analysis has this study proved how customers prefer a customer-centric approach on business. More

specifically, the participants showed clear signs of how they perceived Company Y, that in our understanding shows signs of using a CD logic approach on business, more positively compared to the companies that were not understood as customer-centric companies. CD logic defines value as a collectively measured phenomenon (Heinonen et al. 2013). As presented in the result, participants did acknowledge how they perceived value through the eyes of their peers in their own ecosystem, even to the extent that they changed their opinion regarding how they perceived a specific clothing piece. This, the authors believe, is one of the clearest signs of how the value perceptions of the customers align with the existing theories relevant to CD logic.

6. Conclusion and Implications

In this final chapter, the conclusions and implications will be drawn from the analysis of this study will be presented. Furthermore additional findings that fall out of the aim of this research will also be presented. Lastly, avenues for further research will be presented.

The purpose of this research was to deepen the understanding of customers' value formation within the online retail industry. By conducting an empirical study in which customers have been discussing how they form value and the underlying reasons behind them has fulfilled this. Throughout this study, a CD logic approach has been used and the results of this study can verify the relevance of the theoretical frame that is CD logic within the context in which this study has been conducted. The findings of this study expand the existing theory of value formation in service, but also to service management research in general.

Through this study, the authors propose three contributions to service research. The first contribution refers to how this study has strengthened the relevance of CD logic as a theory within service management empirically as the findings of this study point towards how a customer-centric approach on business is preferred and beneficial for both service provider and customer within the studied context. In addition to empirically confirming the relevance of CD logic, our study proposes a new term for defining customer value, ***True value; a state-of-mind in which a person finds psychological well-being through the experiences derived from a product or service.*** The authors propose true value as an end for which functional and emotional elements of value are means. By acknowledging true value as a determinant, companies can focus on creating sustainable competitive advantages rather than giving momentarily value, which in turn can potentially lead to a more loyal customer base. This, the authors believe, is the second contribution to service research. Furthermore, this study enlightens the importance of social media within the given context. Thus, our third contribution resides in how service research should highlight the effect social media has on customer value perception.

Avenues for further research

The importance of social media when value is formed has earlier been mentioned as a finding. As the main objective of this study were not to focus on the importance of social media, the study is limited to simply acknowledging the importance. Further research could deepen the

understanding, the underlying reasons behind it and to what extent social media affects value perspectives within the given context, and possibly within different contexts as well. Another avenue for further research would be to focus on the service providers' view of value perception. It would be interesting to see how they reason around true value and their view on a customer-centric approach on business.

Finally, the authors leave you, the reader, with the insight gained from the customers'.

*It is not the clothing piece itself that creates the value, rather,
it is with the clothing piece value is created.*

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Appendix A

Pre study questionnaire

Kindly answer these following questions in the spaces provided, circle in the answer when applicable.

1. Age: ____ years old

2. Gender: Male Female

3. Main occupation: Student Working Other: _____

4. Have you visited online apparel retailers at any point of your life? Yes No

4.1 If so, please specify how often:

Daily

3-5 times a week

1-3 times a week

Less than once a week

5. Kindly name the online apparel retailers you usually visit below:

6. In your own opinion, how experienced do you feel you are with online apparel retailers?

Very experienced

Somewhat experienced

Lightly experienced

No experience

Appendix B

Focus group interview template

Working as a guide, our interview template lets us have a semi-structured approach in order to find answers for our research questions. We are inclined to get answers of the following:

- *How value is created*
- *Where value is created*
- *When value is created*
- *What value is based on and,*
- *Who determines value*

Opening question

Discussing your involvement

- Who are you to the company?
- Who are they to you?

How value is created

During an online apparel experience, what is important to you?

- Understanding what values are important

When value is created

Think of the finest piece you've bought online, argument for why.

- Explain the whole process

- Understanding the value emerging process. Before, during and after?
- Value-in-experience

Where value is created

Where do you get your enjoyment?

- The emotional element of shopping.
- Understanding where they get their enjoyment from within the whole process.

What value is based on

What do you expect from online companies these days?

- What specific values are important and why
- How they reason around what values are created

Who determines value

What influences your choice of online apparel retailer?

- Understanding the customer sphere
- Understanding the identity of the customer
- The attachment of meaning

Appendix C

An introduction to the focus group interviews

Good day and welcome to today's session. Thank you for taking the time to join us today to discuss your online retail experiences. Our names are Karwan Nisstany and Sasha Knezevic and we are currently enrolled at Karlstad University's Business School. We are working on our master's thesis where we are trying to understand customers within the online apparel industry. You all were invited because you have experience with online apparel retailers. We are going to ask you some questions and then open the floor for discussion amongst you. Remember that there are no wrong answers but rather different points of view. Please feel free to share your opinions even if they are different from what others have said. Keep in mind that we are just as interested in negative comments as positive comments.

We will be tape-recording the discussion because we do not want to miss any of your comments. We will not use any names in our research and we assure you that it will be completely confidential. If there are any concerns during the discussion in which you feel that you do not want to participate no longer or you do not want to be recorded no more, please let us know so that we can take action to solve the problem for you.

Before we start, we would like you to write down your names on the card placed in front of you, to help us remember each other's names. Let us find out some more about each other, tell us your name and where you are from.